

Message Text

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ACTION ARA-14

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R 021937Z JUN 78

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 4789

C O N F I D E N T I A L SANTO DOMINGO 3000

E.O. 11652: GDS

TAGS: EINV, BDIS, DR

SUBJECT: TWO U.S. FIRMS PLANNING TO PULL OUT OF DR

1. LOEW'S DOMINICANA, INC. (A WHOLLY OWNED SUBSIDIARY OF LOEW'S HOTEL, INC.) HAS OFFICIALLY ADVISED PROMOCIONES Y PROYECTOS S.A. (A SOMINICAN INVESTMENT COMPANY THAT OWNS THE LOCAL LOEW'S DOMINICANA HOTEL) OF ITS INTENTION TO TERMINATE ITS MANAGEMENT CONTRACT EFFECTIVE JUNE 30, 1978. IN ITS NOTIFICATION, LOEW'S INDICATED THAT IN VIEW OF THE LACK OF NEEDED WORKING CAPITAL (WHICH WAS TO BE PROVIDED BY PROMOCIONES Y PROYECTOS), LOEW'S WILL BE FORCED TO SUSPEND OPERATION OF THE HOTEL AS OF MAY 31. LOEW'S CONSIDERS PROMOCIONES IN DEFAULT ON THEIR CONTRACT.

2. THIS DEVELOPMENT IS THE LATEST IN A HISTORY OF STRAINED COMMERCIAL RELATIONS BETWEEN LOEW'S AND ROBERTO PRATS, HEAD OF PROMOCIONES Y PROYECTOS, OVER THE 1-1/2 YEAR LIFE OF THE \$27 MILLION HOTEL. DURING THIS PERIOD, THE EMBASSY LENT ITS GOOD OFFICES ON A CONTINUING BASIS TO BOTH PARTIES, SEEKING TO ENCOURAGE A DIALOGUE WHICH COULD LEAD TO MUTUALLY SATISFACTORY RESOLUTION OF DIFFERENCES. SEVERAL WEEKS AGO, THE E/C COUNS MET WITH PRATS AT HIS REQUEST, AND ASKED FOR A WRITTEN SUMMARY OF PRATS' PERCEPTION OF THE PROBLEM, TO HELP THE EMBASSY IN ITS EFFORTS TO REOPEN THE STALLED NEGOTIATIONS. ALTHOUGH WE HAVE NOT HEARD FROM PRATS SINCE, HE PREPARED THE SUMMARY WE REQUESTED

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AND SENT IT TO THE PRESIDENT OF THE SENATE OF THE DR, WHO FORWARDED IT TO US. UPON BEING ADVISED BY THE LOCAL ATTORNEY FOR LOEW'S OF THE PLANNED CONTRACT TERMINATION, THE AMBASSADOR SENT WORD TO LOEW'S PRINCIPALS IN NEW YORK THAT HE STANDS READY TO OFFER HIS ASSISTANCE AS APPROPRIATE TO HELP RESOLVE PROBLEM. LOEW'S WAS APPRECIATIVE, BUT DECLINED THE OFFER.

3. COMMENT: ALTHOUGH THE COLLAPSE OF THE LOEW'S/PROMOCIONES AGREEMENT WAS PERHAPS INEVITABLE, THE EMBASSY IS SOMEWHAT CONCERNED THAT LOEW'S PULL-OUT WILL BE VIEWED AS THE FIRST U.S. BUSINESS VOTE OF NO-CONFIDENCE TOWARD PROSPECTIVE PRD GOVERNMENT, EVEN THOUGH THERE IS NO QUESTION THAT THE LOEW'S DECISION IS BASED SOLELY ON COMMERCIAL GROUNDS. ADDING A POSSIBLE FURTHER COMPLICATION, THE EMBASSY LEARNED ON A STRICTLY CONFIDENTIAL BASIS THAT THE FIRST NATIONAL BANK OF BOSTON IS NEGOTIATING THE SALE OF ITS EQUITY IN BANCO DE BOSTON, S.A. TO ITS LOCAL PARTNER, ROBERTO PRATS. THIS SALE IS ALSO BASED ON COMMERCIAL CONSIDERATIONS, BUT COULD BE REGARDED AS THE SECOND U.S. FIRM TO PULL OUT OF THE DR IN LIGHT OF ELECTION RESULTS. HOPEFULLY, DUE ATTENTION WILL BE GIVEN TO THE FACT THAT THE DOMINICAN PARTNER IN EACH CASE IS ROBERTO PRATS, A CONTROVERSIAL BUSINESS FIGURE BELIEVED TO BE ASSOCIATED WITH THE LOCAL CHIEF OF POLICE, MAJOR GENERAL NEIT NIVAR SEIJAS. EMBASSY HOPES TO DISCUSS BANCO DE BOSTON SITUATION WITH U.S. REP ON HIS RETURN TO SANTO DOMINGO JUNE 6.

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